

(A) (1) IN THIS SECTION, "PUBLISHED MONTHLY AVERAGE" MEANS:

(1) MOODY'S CORPORATE BOND YIELD AVERAGE - MONTHLY AVERAGE CORPORATES AS PUBLISHED BY MOODY'S INVESTOR'S SERVICE, INC. OR ITS SUCCESSOR; OR

(2) IF THE MOODY'S CORPORATE BOND YIELD AVERAGE - MONTHLY AVERAGE CORPORATES IS NOT PUBLISHED, A SUBSTANTIALLY SIMILAR AVERAGE THAT THE COMMISSIONER ESTABLISHES BY REGULATION.

(B) LIFE INSURANCE POLICIES ISSUED ON OR AFTER JULY 1, 1983, SHALL PROVIDE FOR POLICY LOAN INTEREST RATES AS-FOLLOWS EITHER:

(1) A PROVISION PERMITTING A MAXIMUM INTEREST RATE THAT DOES NOT EXCEED AN EFFECTIVE ANNUAL RATE OF 8 PERCENT; OR

(2) A PROVISION PERMITTING AN ADJUSTABLE MAXIMUM ANNUAL INTEREST RATE ESTABLISHED FROM TIME TO TIME BY THE LIFE INSURER AS PERMITTED BY LAW.

(C) THE ANNUAL RATE OF INTEREST CHARGED ON A POLICY LOAN MADE UNDER SUBSECTION (B)(2) OF THIS SECTION MAY NOT EXCEED THE HIGHER OF:

(1) THE PUBLISHED MONTHLY AVERAGE FOR THE CALENDAR MONTH ENDING 2 MONTHS BEFORE THE DATE ON WHICH THE RATE IS DETERMINED; OR

(2) THE ANNUAL RATE USED TO COMPUTE THE CASH SURRENDER VALUES UNDER THE POLICY DURING THE APPLICABLE PERIOD PLUS 1 PERCENT.

(D) IF THE MAXIMUM RATE OF INTEREST IS DETERMINED UNDER SUBSECTION (B)(2) OF THIS SECTION, THE POLICY SHALL INCLUDE PROVISIONS THAT DISCLOSE THE FREQUENCY AT WHICH THE RATE WILL BE DETERMINED FOR THE POLICY.

(E) THE MAXIMUM ANNUAL RATE FOR EACH POLICY MUST BE DETERMINED AT REGULAR INTERVALS AT LEAST ONCE EVERY 12 MONTHS, BUT NOT MORE FREQUENTLY THAN ONCE IN ANY 3 MONTH PERIOD.

(F) AT THE INTERVALS SPECIFIED IN THE POLICY:

(1) THE RATE CHARGED MAY BE INCREASED IF THE INCREASE AS DETERMINED UNDER SUBSECTION (C) OF THIS SECTION WOULD INCREASE THE ANNUAL RATE BY AT LEAST 0.5 PERCENT; AND

(2) THE RATE CHARGED SHALL BE REDUCED IF A COMPUTATION MADE UNDER SUBSECTION (C) OF THIS SECTION WOULD DECREASE THE ANNUAL RATE BY AT LEAST 0.5 PERCENT.

(G) THE LIFE INSURER SHALL:

(1) NOTIFY THE POLICYHOLDER WHEN A CASH LOAN IS MADE OF THE BEGINNING ANNUAL RATE OF INTEREST ON THE LOAN;